

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 INT-08 EB-11 SCEM-02 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15

AGR-20 DODE-00 DRC-01 /194 W

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R 062145Z NOV 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 5619

INFO AMEMBASSY GUATEMALA

LIMITED OFFICIAL USE TEGUCIGALPA 4176

EO 11652: NA

TAGS: ENRG, HO

SUBJECT: PETROLEUM - TEXACO REDUCES REFINERY THROUGHPUT

REF: TEGUCIGALPA 4035 AND 4062

1. TEXACO ADVISED VICE MINISTER OF ECONOMY, VICENTE DIAZ, THAT REFINERY RACK SALES WILL BE TO CUSTOMERS AT VOLUMES PURCHASED IN NOV 1972. TEXACO HAS THUS PLACED IN EFFECT REDUCTION PREVIOUSLY NOTIFIED MINECON (SEE REFTELS).

2. TEXACO'S McDONALD LEFT DOOR OPEN TO GOH THAT IT WOULD RESUME NORMAL SALES UPON RECEIPT OF SOMETHING CONCRETE FROM GOH IN THE WAY OF PRICE ADJUSTMENT MECHANISM. McDONALD, NONETHELESS, TOLD VICE MINISTER THAT TEXACO HAD TAKEN ACTION IN ORDER TO FORCE A SUITABLE RESPONSE FROM THE GOH.

3. McDONALD LEFT NOV 5 MEETING WITHOUT ANY FEELING

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OF WHEN OR WHAT GOH RESPONSE WOULD BE.

4. PRESS ON WEEKEND CITED DISRUPTION BEING CAUSED BOTH BY REFINERY RACK SALES AND BY ECONOMY ADJUSTMENTS BEING IMPOSED UPON FUEL TRANSPORT COMPANIES BY THE FUEL DISTRIBUTORS. VICE MINISTER OF ECONOMY RECEIVED DELEGATION OF FUEL TRANSPORTERS COMPLAINING ABOUT EVOLVING SITUATION.

5. COMMENT: EMBASSY HAS NOT INTERFERED WITH NEGOTIATIONS ON THIS SUBJECT. HAD TEXACO CONSULTED US PRIOR TO THIS SESSION, WE MIGHT HAVE ADVISED THEM AT THIS STAGE TO UNDERPLAY POINT THAT THEIR PRESSURE AIMED AT PRICE INCREASES, BUT WE HAVE NO STRONG FEELINGS ON THIS. TEXACO FIRST MADE THIS CONNECTION COMPLETELY EXPLICIT IN THREAT TO INTERRUPT DELIVERIES BEGINNING IN AUGUST, AND HAS SINCE CONSISTENTLY MAINTAINED IT. TEXACO ALSO PRESENTED SPECIFIC PRICE CHANGES FOR ITS SEVEN PRIMARY OUTPUTS. ALTHOUGH THESE WERE BASED UPON 10/1 PRICES AND REPRESENTED AT \$2.40 PER BARREL ANNUAL INCREASE, NEITHER TEXACO NOR ANYONE ELSE IS IN A POSITION TO ESTIMATE CRUDE PRICE MOVEMENTS IN COMING MONTHS. TEXACO MADE CLEAR THE CITED PRICE INCREASES WOULD NOT HOLD IN THE FUTURE BUT EMBASSY IS CONCERNED THAT GOVERNMENT OR ANTI-INDUSTRY SOURCES MAY LATCH ON TO THE FIGURES AS DEMANDS WHICH, IF MET, WOULD "SOLVE" THE PETROLEUM PRICE AND SUPPLY SITUATION. TEXACO DID ORALLY PRESENT GENERAL FORMULA FOR PRICE SETTING WHICH INCLUDES A RETURN ON PERCENTAGE ORIGINAL INVESTMENT PLUS AVERAGE INVENTORY AND WOULD UTILIZE CIF CRUDE PRICES. HOWEVER, WE DO NOT ANTICPATE THE GOH WILL FIND THIS APPROACH ACCEPTABLE.

6. ACTION REQUESTED: EMBASSY BELIEVES THAT CIRCUMSTANCES MIGHT PRESENT THEMSELVES WHEN WE COULD USEFULLY AND INFORMALLY PROVIDE INFORMATION TO GOH CONCERNING PRODUCT AND CRUDE PRICE MOVEMENTS IN RECENT MONTHS, IF THIS INFORMATION COULD BE SUPPLIED BY THE DEPARTMENT.
SANCHEZ

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